

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1
MARRERO, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 28 2013

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors of
Marrero-Estelle Volunteer Fire Company No 1
Marrero, Louisiana

We have audited the accompanying financial statements of Marrero-Estelle Volunteer Fire Company No 1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Estelle Volunteer Fire Company No 1 as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Uzee, Butler, Arceneux & Bowes

Harvey, Louisiana
June 27, 2013

FINANCIAL STATEMENTS

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 484,501
Certificates of deposit	549,648
Accrued interest receivable	<u>1,365</u>

Total current assets 1,035,514

OTHER ASSETS

Property and equipment, net	1,801,552
Insurance deposit	<u>15,909</u>

Total other assets 1,817,461

Total assets \$ 2,852,975

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 21,597
Accrued payables	
Salaries	9,549
Compensated absences	<u>54,502</u>

Total current liabilities 85,648

NET ASSETS

Unrestricted	<u>2,767,327</u>
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Total Liabilities and Net Assets \$ 2,852,975

See accompanying notes to financial statements

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted Net Assets</u>
REVENUES	
Jefferson Parish	
Fire protection contract	\$ 1,920,000
Capital millage	400,000
Fire insurance premium tax	44,361
Gain on sale of ladder truck	100,000
Insurance dividend (LWCC)	12,236
Interest income	8,897
Miscellaneous	<u>458</u>
Total revenues	<u>2,485,952</u>
EXPENSES	
Program services - firefighting	1,635,206
Supporting services - management and general	<u>214,141</u>
Total expenses	<u>1,849,347</u>
INCREASE IN UNRESTRICTED NET ASSETS	636,605
NET ASSETS - Beginning of year	<u>2,130,722</u>
NET ASSETS - End of year	\$ <u>2,767,327</u>

See accompanying notes to financial statements

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$1,025,977	\$ 102,315	\$1,128,292
Depreciation	127,969	5,308	133,277
Fuel	19,924	-	19,924
Insurance	227,658	20,694	248,352
Miscellaneous	-	37,237	37,237
Office expense	-	7,390	7,390
Payroll taxes	83,604	7,827	91,431
Pension contributions	30,122	3,069	33,191
Professional services	-	9,515	9,515
Repairs and maintenance	67,940	8,229	76,169
Supplies	18,735	-	18,735
Uniforms	5,328	-	5,328
Utilities and telephone	<u>27,949</u>	<u>12,557</u>	<u>40,506</u>
Total	<u>\$ 1,635,206</u>	<u>\$ 214,141</u>	<u>\$ 1,849,347</u>

See accompanying notes to financial statements

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 636,605	
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	133,277	
Decrease in accrued interest receivable	548	
Decrease in accounts and accrued payables	<u>(14,401)</u>	
Net cash provided by operating activities		\$ 756,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(250,735)	
Increase in certificates of deposit	(249,107)	
Increase in insurance deposit	<u>(3,011)</u>	
Net cash used by investing activities		<u>(502,853)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		253,176
CASH AND CASH EQUIVALENTS - Beginning of year		<u>231,325</u>
CASH AND CASH EQUIVALENTS - End of year		\$ <u>484,501</u>
SUPPLEMENTAL DISCLOSURES		
Interest incurred and paid		\$ <u>-0-</u>
Income tax paid		\$ <u>-0-</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

ORGANIZATION

Marrero - Estelle Volunteer Fire Company No 1 (the Fire Company) was incorporated under the laws of the State of Louisiana on July 25, 1951 to provide fire protection and related services in Jefferson Parish, Louisiana in an area comprising part of Fire Protection District No 8 (a separate entity) of Jefferson Parish. The Fire Company has three fire stations located in Marrero, Louisiana and has seventeen full-time paid employees and 25 active volunteer firefighters. The Fire Company's main source of revenue is a fire protection contract with Jefferson Parish which expires May 31, 2014.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2 Basis of Accounting and Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The financial statements are presented in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements of Not-For-Profit Organizations. Under this standard, the Fire Company is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2012 the Fire Company had only unrestricted net assets.

The statement of activities presents expenses of the Fire Company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

3 Contributions and Donated Services

The Fire Company records contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of any donor restrictions.

A significant contribution of time is made by unpaid volunteers to accomplish the purpose for which the Fire Company was established. The value of this donated service is not included in the accompanying financial statements because it is not susceptible to objective measurement or evaluation.

All members of the Board of Directors serve without compensation for their services.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2012

4 Income Tax

The Fire Company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and accordingly no provision for income taxes is made in the financial statements

4 Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fire Company has defined cash and cash equivalents as cash in banks, money market accounts and certificates of deposit with original maturities of three months or less

5 Property and Equipment

Acquisitions of property and equipment in excess of \$100 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost, or estimated fair value if donated. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Building and improvements	10-40 years
Equipment	5-20 years

6 Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

At December 31, 2012, the aggregate carrying amount of the Fire Company's cash and cash equivalents was \$484,501 and the aggregate bank balances were \$489,251. All of the Fire Company's bank accounts are in a local bank and are insured by federal deposit insurance of \$250,000 and a pledge of securities with a market value of \$326,873 at December 31, 2012. The Fire Company's money market account of \$366 is uninsured. The Fire company's certificates of deposit are with a local bank and an investment banker and are fully covered by federal deposit insurance.

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1**

**NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2012**

C PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and depreciation activity for the year ended December 31, 2012

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
Land	\$ 153,000	\$ -0-	\$ -0-	\$ 153,000
Building and improvements	966,382	147,863	-0-	1,114,245
Equipment	<u>2,398,115</u>	<u>102,872</u>	<u>448,988</u>	<u>2,051,999</u>
Total	<u>3,517,497</u>	<u>250,735</u>	<u>448,988</u>	<u>3,319,244</u>
Less accumulated depreciation				
Building and improvements	552,653	30,346	-0-	582,999
Equipment	<u>1,280,750</u>	<u>102,931</u>	<u>448,988</u>	<u>934,693</u>
Total	<u>1,833,403</u>	<u>133,277</u>	<u>448,988</u>	<u>1,517,692</u>
Net, property and equipment	<u>\$ 1,684,094</u>	<u>\$ 117,458</u>	<u>\$ -0-</u>	<u>\$ 1,801,552</u>

Fire trucks and some other assets which are being used by the Fire Company in its operations are not included in the above summary because they were purchased by Jefferson Parish with bond money and belong to the Parish

D RETIREMENT PLAN

The Fire Company has a SIMPLE IRA Retirement Plan for its employees. The plan is a defined contribution salary reduction plan. Under the Plan, the Fire Company matches the employees' salary contributions to the plan up to a limit of 3% of the employees' compensation for the year. The maximum annual contribution by the employee for 2012 was \$11,500, plus an additional \$2,500 catch-up contribution for those at least age 50. For 2012 the employees' total contributions were \$89,052 and the Fire Company's matched contributions were \$33,191.

E FIRE PROTECTION CONTRACT

Substantially all of the Fire Company's revenue is derived from funds provided by Jefferson Parish. Under the contract with Jefferson Parish, the Fire Company receives one-third of the net proceeds of the property tax levied annually by Fire Protection District No. 8. The Fire Company also receives from the Parish one-third of the 2% fire insurance premium tax which the Parish receives from the State of Louisiana for Fire Protection District No. 8. During the tax year 2012 the Parish also provided the Fire Company \$400,000 from the capital millage account.

F CONCENTRATION OF CREDIT RISK

The Fire Company's income is derived principally from the proceeds of a property tax and other funding under a contract with Jefferson Parish to support fire protection and related services.

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1**

**NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2012**

G SUPPLEMENTAL PAY

The Fire Company's full-time firefighters receive supplemental pay from the State of Louisiana. These payments are made directly to the firefighters and do not pass through the Fire Company and are not included in the Fire Company's financial statements, except for the employer's share of the social security and medicare tax which is borne by the Fire Company.

H EVALUATION OF SUBSEQUENT EVENTS

The Fire Company's management has evaluated subsequent events through June 27, 2013, the date the financial statements were available to be issued.

INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Board of Directors of
Marrero-Estelle Volunteer Fire Co No 1
Marrero, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marrero-Estelle Volunteer Fire Company No 1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marrero-Estelle Volunteer Fire Company No 1's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marrero-Estelle Volunteer Fire Company No 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marrero-Estelle Volunteer Fire Company No 1's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, that we consider to be significant deficiencies in internal control over financial reporting. Material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marrero-Estelle Volunteer Fire Company No 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance.

This report is intended solely for the information and use of management, the Board of Directors and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 25:513, this report is distributed by the Legislative Auditor as a public document.



Harvey, Louisiana
June 27, 2013

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1**

Schedule of Findings
Year Ended December 31, 2012

SUMMARY OF AUDITOR'S REPORTS

- 1 The opinion issued on our audit of the financial statements of Marrero-Estelle Volunteer Fire Co No 1 for the year ended December 31, 2012 is unqualified
- 2 Internal Control
Significant deficiencies 2012-01, 2012-02
No material weaknesses were noted
- 3 Compliance and other matters
No instances of noncompliance material to the financial statements were noted

FINANCIAL STATEMENT FINDINGS

2012-01 – Year-End Journal Entries

Condition and Criteria

The Fire Company maintains its books on the cash basis of accounting. Therefore journal entries were required as part of the audit for financial statement misstatements related to accruals and property and equipment accounts. Generally accepted auditing standards now consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting control deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Fire Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare the year-end journal entries and agrees with the auditor's recommendations.

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO 1**

Schedule of Findings - Continued
Year Ended December 31, 2012

2012-02 – Preparation of Financial Statements

Condition and Criteria

The Fire Company does not have any personnel with the technical ability to prepare its financial statements in accordance with generally accepted accounting principles. As is common in small organizations, the Fire Company has chosen to engage the auditor to prepare its annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare its annual financial statements and agrees with auditor's recommendation.